



**COUNCIL OF  
THE EUROPEAN UNION**



11078/07 (Presse 148)

**PROVISIONAL VERSION**

**PRESS RELEASE**

2810th Council meeting

**HEADS OF STATE AND GOVERNMENT**

Brussels, 21 June 2007

President      **Angela MERKEL**  
German Federal Chancellor

**P R E S S**

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## **Main results of the Council**

*The Council examined proposals to allow **Cyprus and Malta to adopt the euro as their currency** as from 1 January 2008, on the basis of convergence reports from the Commission and the ECB.*

*Noting that Cyprus and Malta fulfil all convergence criteria and legal requirements to adopt the euro as their currency, it called on the Ecofin Council to adopt the proposals at its meeting on 10 July.*

*The decision will enlarge the euro area from 13 to 15 member states.*

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**OTHER ITEMS APPROVED**

*none*

<sup>1</sup>

- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

**PARTICIPANTS**

The governments of the Member States and the European Commission were represented as follows:

**Belgium:**

Mr Guy VERHOFSTADT Prime Minister

**Bulgaria:**

Mr Sergei STANISHEV Prime Minister

**Czech Republic:**

Mr Mirek TOPOLANEK Prime Minister

**Denmark:**

Mr Anders FOGH RASMUSSEN Prime Minister

**Germany:**

Ms Angela MERKEL Federal Chancellor

**Estonia:**

Mr Andrus Ansip Prime Minister

**Ireland:**

Mr Bertie Ahern Prime Minister

**Greece:**

Mr Costas KARAMANLIS Prime Minister

**Spain:**

Mr José Luis RODRIGUEZ ZAPATERO Prime Minister

**France:**

Mr Nicolas SARKOZY President of the Republic

**Italy:**

Mr Romano PRODI Prime Minister

**Cyprus:**

Mr Tassos PAPADOPOULOS President of the Republic

**Latvia:**

Mr Aigars KALVITIS Prime Minister

**Lithuania:**

Mr Valdas ADAMKUS President of the Republic

**Luxembourg:**

Mr Jean-Claude JUNCKER Prime Minister, Ministre d'Etat, Minister for Finance

**Hungary:**

Mr Ferenc GYURCSÁNY Prime Minister

**Malta:**

Mr Lawrence GONZI Prime Minister, Minister for Finance

**Netherlands:**

Mr Jan Peter BALKENENDE Prime Minister, Minister for General Affairs

**Austria:**

Mr Alfred GUSENBAUER Federal Chancellor

**Poland:**

Mr Lech KACZYNSKI President of the Republic

**Portugal:**

Mr José SóCRATES Prime Minister

**Romania:**

Mr Traian BASESCU President of the Republic

**Slovenia:**

Mr Janez JANŠA Prime Minister

**Slovakia:**

Mr Robert FICO

Prime Minister

**Finland:**

Mr Matti VANHANEN

Prime Minister

**Sweden:**

Mr Fredrik REINFELDT

Prime Minister

**United Kingdom:**

Mr Tony BLAIR

Prime Minister, First Lord of the Treasury and Minister  
for the Civil Service

.....

**Commission:**

Mr José Manuel BARROSO

President

.....

**European Central Bank:**

Mr Jean-Claude TRICHET

President of the European Central Bank

**ITEMS DEBATED**

**ENLARGEMENT OF THE EURO AREA**

**Adoption of the euro by Cyprus and Malta**

The Council:

- took note of the presentation of reports by the European Central Bank (ECB) and the Commission on progress made by Cyprus and Malta in fulfilling convergence criteria and their obligations regarding economic and monetary union.
- discussed proposals from the Commission for Council decisions allowing Cyprus and Malta to adopt the euro as their currency, by abrogating what is considered as a derogation, as from 1 January 2008;
- took note of a letter from the president of the Economic and Financial Affairs (Ecofin) Council on the outcome of the discussion on these issues at the Ecofin Council's meeting on 5 June.

Thirteen out of the EU's 27 member states currently use the euro as their currency: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria, Slovenia and Finland. Euro notes and coins were introduced in 12 of those countries on 1 January 2002 and in Slovenia on 1 January 2007.

The Council noted that Cyprus and Malta fulfil all convergence criteria and legal requirements to adopt the euro as their currency. It accordingly welcomed the Commission's proposals and called on the Ecofin Council to adopt them at its meeting on 10 July. The Ecofin Council is also due to adopt regulations fixing the conversion rates of the Cypriot pound and the Maltese lira to the euro.

The decision will enlarge the euro area to 15 member states as from 1 January 2008.

The ECB and Commission convergence reports examine the compatibility of the two countries' legislation with treaty provisions and with the statute of the European system of central banks. They examine progress in fulfilment of the convergence criteria -- namely price stability, the two governments' budgetary positions, exchange rate stability and long-term interest rates -- and several other factors.

The Ecofin Council's assessment is set out in the letter from its president, Peer Steinbrück, in the following terms.

– ***Cyprus***

Following a strong fiscal adjustment in 2004 and 2005, the general government deficit was reduced from 6.3% in 2003 to 1.5% of gross domestic product (GDP) in 2006; the general government debt to GDP ratio is above the EU's 60% debt-to-GDP reference value but has been on a declining path since 2005 and is expected to decline further in 2007 to reach 61.5% of GDP. Cyprus is not subject to an excessive deficit procedure, which is a precondition for joining the euro.

The average HICP<sup>1</sup> inflation rate in Cyprus in the year ending March 2007 stood at 2.0%, which is below the reference value for the price stability criterion<sup>2</sup>. The 12-month average inflation rate in Cyprus has been below the reference value since August 2005; Cyprus' price performance is assessed to be sustainable. Cyprus has participated in ERM<sup>3</sup> II since May 2005. In the two-year period ending on 26 April 2007 the Cyprus pound (CYP) has not been subject to severe tensions and, since it joined the ERM II, Cyprus has not devalued on its own initiative the CYP bilateral central rate against the euro.

In the year ending March 2007, the long-term interest rate in Cyprus was 4.2% on average, which is below the reference value<sup>4</sup>.

Other relevant factors to which the treaty refers, such as the integration of markets or the situation and development of the current account, confirm that Cyprus has achieved a high degree of sustainable convergence. National legislation, including the statutes of its national central bank, are compatible with the treaty and the ESCB statute requirements for stage three of economic and monetary union.

– ***Malta***

The Council abrogated on 5 June its 2004 decision on the existence of an excessive deficit in Malta. After peaking at around 10% of gross domestic product (GDP) in 2003, the budget deficit decreased significantly under Malta's fiscal consolidation programme, reaching 2.6% in 2006. The general government debt-to-GDP ratio is above the EU's 60% reference value but has been on a declining path since 2005 and is expected to continue to decline further in 2007 to around 66% of GDP.

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<sup>1</sup> Harmonised index of consumer prices.

<sup>2</sup> Calculated as the average in the three best-performing member states plus 1.5 percentage points.

<sup>3</sup> Exchange rate mechanism. The aim is to reduce exchange rate variability and achieve monetary stability in preparation for introduction of the euro.

<sup>4</sup> Calculated as the average interest rate in the three best-performing member states in terms of price stability plus 2 percentage points.

The average HICP inflation rate in Malta in the year ending March 2007 stood at 2.2%, which is below the reference value for the price stability criterion. The 12-month average inflation rate has been at or below the reference value since July 2005, except for the period from May to October 2006; Malta's price performance is assessed to be sustainable. Malta has participated in ERM II since May 2005. In the two-year period ending on 26 April 2007, the Maltese lira (MTL) has not been subject to severe tensions and, since it joined the ERM II, Malta has not devalued on its own initiative the MTL bilateral central rate against the euro. In the year ending March 2007, the long-term interest rate in Malta was, on average, 4.3%, which is below the reference value.

Other relevant factors to which the treaty refers, such as the integration of markets or the situation and development of the current account, confirm that Malta has achieved a high degree of sustainable convergence. National legislation, including the statutes of its national central bank, are compatible with the treaty and the ESCB statute requirements for stage three of economic and monetary union.

**OTHER ITEMS APPROVED**

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